

Message Text

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USEEC

FOLLOWING REPEAT GENEVA 3539 ACTIONSECSTATE MAR 7

QUOTE LIMITED OFFICIAL USE GENEVA 03539

PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT
SUBJECT: GATT COUNCIL -- DISC

REF: (A) GENEVA 1668, (B) GENEVA 2581

1. EXISTENCE OF THIS ITEM ON AGENDA IN SAME FORM AS AT PAST COUNCIL MEETINGS INCREASES CHANCES FOR A REPETITION OF PREVIOUS CONFRONTATIONS ON THIS ISSUE. IN ADDITION, EC HAS HAD PROPOSAL ON TABLE FOR OVER FOUR MONTHS DESIGNED TO BREAK IMPASSE (CHAIRMAN STUDY ON DEFINITION OF EXPORTS) WITH RESPECT TO PANEL REPORTS ON TAX PRACTICES MAINTAINED BY FRANCE, NETHERLANDS AND BELGIUM. GATT SECRETARIAT (PATTERSON), COUNCIL CHAIRMAN AND OTHER DELS HAVE APPROACHED US, EXPRESSING CONCERN, AND SEEKING TO
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AVOID DEBILITATING REPLAY OF PREVIOUS COUNCIL MEETINGS. AS WE HAVE NOTED IN SEVERAL MESSAGES, UNLESS WE ARE PREPARED TO ACCEPT EC PROPOSAL OR TO FIND MEANS OF SIDETRACKING IT PRIOR TO GATT COUNCIL, WE WILL FACE ACRIMONIOUS DEBATE IN WHICH U.S. CAN EXPECT TO BE COMPLETELY ISOLATED. OTHER DELS SEE EC PROPOSAL AS USEFUL MEANS OF ENDING IMPASSE IN COUNCIL AND SEE CONTINUED U.S. INTRANSI-

GENCE AS WEAKENING THE DISPUTE SETTLEMENT MECHANISM AND CASTING DOUBT ON U.S. SINCERITY IN NEGOTIATIONS AIMED AT IMPROVING THE DISPUTE SETTLEMENT PROCEDURES (SEVERAL IDEAS IN CURRENT U.S. DRAFT MTN UNDERSTANDING ON DISPUTE SETTLEMENT ARE CONTRADICTED BY U.S. ACTIONS IN COUNCIL ON DISC ISSUE).

2. WE CONTINUE TO BELIEVE THAT THE ADMINISTRATION'S SUBMISSION OF TAX LEGISLATION CALLING FOR THE PHASE OUT OF THE DISC SHOULD HELP US TO RESOLVE THIS ISSUE IN THE GATT. OUR RECOMMENDATIONS FOR SEEKING AGREEMENT WITH EC ON ARMS LENGTH PRICING ARE CONTAINED IN REF A. WE CONTINUE TO URGE WASHINGTON EITHER TO APPROACH EC AT HIGH LEVEL OR AUTHORIZE US TO INDICATE TO EC DEL U.S. WILLINGNESS TO ENTER INTO BILATERAL DISCUSSIONS AIMED AT SEEKING A MUTUALLY SATISFACTORY SOLUTION TO THIS PROBLEM WITH THE UNDERSTANDING THAT COUNCIL CHAIRMAN COULD NOTE THAT HE HAD BEEN REQUESTED TO DELAY AN OPINION ON EC PROPOSAL PENDING THE OUTCOME OF DISCUSSIONS AMONG INTERESTED PARTIES. UNDER DISC ITEM, USDEL COULD OUTLINE ADMINISTRATION'S PROPOSAL ON DISC CONTAINED IN TAX BILL.

3. WE WOULD APPRECIATE EARLY INDICATION OF WASHINGTON'S THINKING ON THIS ISSUE SO WE CAN PREPARE GROUNDWORK FOR COUNCIL. SORENSOM. UNQUOTE VANCE

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